



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 01, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank of Fayetteville, National Association
Charter Number 21206**

**1 South Block Street
Fayetteville, Arkansas 72701**

**Comptroller of the Currency
Kansas City South
1710 East 32nd Street Fountainside Plaza, Suite H
Joplin, Missouri 64804**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING.

The Bank of Fayetteville, National Association is rated Satisfactory.

For the evaluation period of January 1, 1999 through December 31, 2002, examiners reviewed a sample of twenty loans originated in the assessment area (AA) for each primary product type. Based upon the number and dollar amount of loans originated since the last Community Reinvestment Act (CRA) examination, the primary loan products are consumer installment, 1-4 family real estate, and commercial real estate. The bank's performance is assessed in comparison to demographics of the AA from the 1990 U.S. Census data.

The Bank of Fayetteville's performance of lending to borrowers of different income levels and businesses of different sizes is satisfactory.

The distribution of 1-4 family residential real estate loans to borrowers of different income levels is satisfactory.

- Management originated 5% of the number of loans in the sample and 3.28% of the dollar amount of loans in the sample to individuals designated the low-income category. Demographic data designated 19.82% of families in the AA as low-income. Although below demographics, management has demonstrated adequate performance in lending to low-income individuals when additional consideration is given to factors that impact the AA. Demographic data shows 10.56% of families in the AA fall below the poverty level, potentially making it more difficult for these families to qualify for credit based on prudent underwriting standards.
- Management originated 35% of the number of loans in the sample and 16.11% of the dollar amount of loans in the sample to individuals designated in the moderate-income category. Management's performance compared reasonably to the demographic data, which designated 19.16% of families in the AA as moderate-income.
- Management has also provided affordable housing to low-and moderate-income individuals in the AA through the continued efforts of the Bank of Fayetteville Community Development Corporation (CDC). The CDC has constructed and sold four houses specifically for low to moderate-income individuals. Management also originated two loans during the evaluation period totaling \$143,645 to the South Fayetteville CDC. This CDC was established to provide affordable housing to low- and moderate-income individuals.

The distribution of consumer loans to borrowers of different income levels is good.

- Management originated 30% of the number of loans in the sample and 18.59% of the dollar amount of loans in the sample to individuals designated in the low-income category. This was reasonable in comparison to demographic data, which designated 25.66% of households in the AA as low-income.

- Management originated 25% of the number of loans in the sample and 22.79% of the dollar amount of loans in the sample to individuals designated the moderate-income category. Management's performance exceeded the demographic data, which designated 16.86% of households in the AA as moderate-income.

Management also demonstrates a good performance of lending to small businesses.

Of the total dollar amount and number of loans in our sample to finance commercial real estate, 62.11% and 85%, respectively, were to businesses with gross annual revenues of less than \$1 million. The distribution of commercial real estate loans to businesses with different revenues reasonably compared to the business demographic data, which showed 77.32% of businesses in the AA have gross annual revenues less than \$1 million.

Overall, the Bank of Fayetteville's distribution of loans among the various geographies in its AA is satisfactory.

The penetration into moderate-income geographies for the consumer and commercial real estate loan samples compares reasonably to demographics. Management's performance of originating loans to these segments of the AA is considered adequate given the number and location of other financial institutions in the AA in relation to these geographies. The penetration of moderate-income geographies for the sample of 1-4 family residential real estate loans exceeds demographics. There are no low-income geographies within the AA.

A substantial majority of loans are originated within the AA.

Management originated 94% of the total dollar amount, or 87% of the total number of loans, in the sample within the AA.

The quarterly average loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and the amount of competition to serve the credit needs of the AA.

The Bank of Fayetteville's average quarterly loan-to-deposit ratio of 60.15% since the last CRA examination is reasonable. The ratio is below the 78.8% average quarterly loan-to-deposit ratio of ten other banks serving the Fayetteville-Springdale-Rogers Metropolitan Statistical Area. The average loan-to-deposit ratios of these similarly situated banks range from a low of 53% to a high of 117%.

We found no evidence of illegal discrimination or other illegal credit practices.

No consumer complaints have been received during the evaluation period regarding The Bank of Fayetteville's performance in helping to meet the credit needs of the AA.

DESCRIPTION OF INSTITUTION

The Bank of Fayetteville is a \$276 million bank located in Fayetteville, Arkansas and offers a full range of personal and commercial banking services. In addition to the main bank location, there are four full service branch locations and a loan production office serving the city of Fayetteville. There are also full service branches located in West Fork, AR and Prairie Grove, AR, and a deposit taking automated teller machine, located at the Washington Regional Medical Center in Fayetteville, AR. Based on the number and dollar amount of loans originated during our evaluation period, the primary loan products are commercial/industrial, 1 - 4 family residential real estate, and consumer.

The Bank of Fayetteville was rated “Satisfactory” at the last CRA examination dated April 26, 1999. There are no legal or financial factors that impede their ability to help meet the credit needs of the AA. Please refer to the bank’s CRA Public File for more information.

DESCRIPTION OF THE ASSESSMENT AREA

The Bank of Fayetteville’s AA consists of Washington County, with the exception of the census tracts comprising the city of Springdale, AR. The AA is part of the Fayetteville-Springdale-Rogers Metropolitan Statistical Area. The AA complies with regulatory requirements, and does not arbitrarily exclude low- and moderate-income neighborhoods. The AA is comprised of four moderate-income tracts, 22 middle-income tracts, and 3 upper- income tracts according to the 1990 U.S. Census data. Please refer to the bank’s CRA Public File for more information.

We conducted one community contact during this examination. The contact is a director of a local business and labor group. The contact indicates all financial institutions in the area assist in meeting the primary credit needs of the surrounding communities.